

INFORMATION REPORT

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COUNTRY Portugal

SUBJECT The Caixa Geral de Depositos, Credito e Previdencia

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RETURN TO CIVILIAN

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1. The Caixa Geral de Depositos, Credito e Previdencia explains its recent restrictions on private loans as an attempt to halt the practice of persons borrowing from the Caixa Geral at low interest rates and then lending the money out at higher rates. The action is interpreted in commercial and industrial circles, however, as the first step in the devaluation of the escudo. The Portuguese Government, according to source, before consenting to any decrease in the value of the escudo, wants to have a minimum amount of its own money out on loan.
2. Previously, the Caixa Geral granted short term credits at a moderate rate of interest, ranging from three to five percent. In practice, however, the loans were allowed to be renewed indefinitely so long as the interest was paid; consequently, the loans were considered long term. In recent months, loans have been called in as they fall due; no extensions are being permitted and there is no question of new credits being granted except in rare cases. In those rare cases, loans will be based on roughly fifty percent of the value of the collateral. The rate of interest on these loans is exorbitant and prohibitive, amounting to as high as twenty percent.
3. Inasmuch as the private banks have been following a policy of retrenchment since 1946, leaving the Caixa Geral responsible for the greater part of the loans made to individuals, they are not willing to undertake at the present time any steps aimed at easing the credit situation.
4. The rumor that the Government has issued a confidential instruction to banks to restrict credit has been denied by the Minister of Finance, according to source. The Minister reportedly stated that the banks have an ample supply of money which the Government would like to have them use to ease the present credit situation but the banks are unwilling to do so.

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CENTRAL INTELLIGENCE AGENCY

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5.

The Caixa Geral has lent the Government 10,000 million escudos and for this reason the Government has forbidden the Caixa Geral to provide credit to private persons. In addition, the Government has prohibited private banking houses from opening new credits for private persons.

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